

**SPECIAL HANDLING****SECRET**

MEMO NO. 63-070

31 July 1963

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MEMORANDUM FOR: [REDACTED]

SUBJECT: Project 9045 Cost Proposal, Five (5) Additional Units - ITEK

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1. The Contractor's proposal totaling [REDACTED] for five additional units covers the fabrication, tests, data, engineering and other direct costs required in the operation of the Boston and Palo Alto facilities.

2. In making a review of the costs applicable to the performance of the proposed contract, the labor hours quoted for manufacturing and test, optics and project administration, the direct materials for manufacturing and test, optics, engineering and special installations, as were travel costs and per diem, were considered by the undersigned. Such items as engineering labor for product updating were reviewed by the project engineer; labor rates and indirect expense rates were reviewed by the cognizant auditor.

3. The review by the undersigned was based on historical data, drawings, review of hardware and past experience on similar units. From this review it was found that:

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a. The direct labor hours for manufacturing and test quoted at [REDACTED] hours were estimated to be overstated by [REDACTED] hours. However, some consideration must be given to the nature of the program and the manufacturing methods employed. Giving this consideration, a reduction in labor hours of [REDACTED] hours can be considered acceptable.

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b. The direct materials quoted at [REDACTED] were based on historical costs, current quotes from vendors and/or estimates applied to revised bills of materials for manufacturing and test, estimated quantities on expendable materials and historical data for acceptance and maintenance material. No exception is taken to the base materials costs. However, the requirement for the improved DRT Target Drives was eliminated by the project engineer which effected a [REDACTED] reduction in base material cost.

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c. The clean room modifications quoted at [REDACTED] were based on the Contractor's best estimate and does not appear excessive. However, with the exception of a very small portion which might be directly related to this program, it is felt that the major part of this should be done at the Contractor's expense and applied to the appropriate indirect expense pool so that the cost would be shared by all current contracts as well as future contracts.

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☐ DECLASSIFIED  
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d. Travel costs quoted at [ ] were based on an itemized travel schedule to which air fares applied were at airline scheduled rates and per diem applied was applied at [ ] per day for five days or less and [ ] per day after five days. The per diem rate covers all miscellaneous items of expense incurred during travel, and when compared to the average rate of [ ] per day plus miscellaneous expenses paid Federal employees, the per diem rate does not appear excessive.

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e. In the computation of fee there is [ ] in items such as GSE maintenance, DRT and Vacuum pump maintenance and checkout test equipment listed under manufacturing and test material that should be non-fee bearing items.

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4. In view of the foregoing suggested reductions and deletions, the recommended total cost approximates [ ] in lieu of the Contractor's quoted [ ]

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5. The fee quoted by the Contractor at [ ] approximates [ ] of total costs. If fee is computed at [ ] on the fee bearing items of cost only, a revised fee of [ ] is obtained. However, this area is left to the final determination of the negotiator.

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[ ]  
CONTRACT PRICE ANALYST

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